

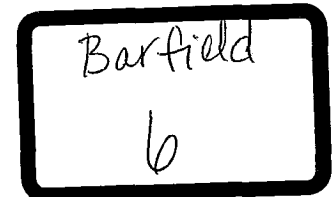


Kathleen Sebelius, Governor
Adrian J. Polansky, Secretary

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December 19, 2007

Ann Bleed, P.E.
Nebraska Commissioner,
Republican River Compact Administration
Director, Nebraska Department of Natural Resources
P.O. Box 94676
Lincoln, NE 68509-4676



Subject: Remedy for Nebraska's violation of the Decree in *Kansas v. Nebraska & Colorado*, No. 126, Original, U.S. Supreme Court

Dear Commissioner Bleed:

The State of Nebraska is in violation of the May 19, 2003 Supreme Court Decree in *Kansas v. Nebraska & Colorado*, 538 U.S. 720 (2003). The Decree approved the Final Settlement Stipulation ("FSS"), which had been filed with the Special Master on December 16, 2002. The FSS requires compliance on a five-year running average, and, when Water-Short Year Administration is in effect, compliance is also calculated on a two-year running average unless Nebraska submits an Alternative Water-Short Year Administration plan to the Republican River Compact Administration ("RRCA"). Appendix B to the FSS provides the FSS Implementation Schedule, which sets the first normal compliance year as 2007 (5-year running average for 2003-2007) and the first Water-Short Year Administration compliance year as 2006 (2-year running average for 2005-2006) if water supply conditions for Water-Short Year Administration are present.

Pursuant to the Implementation Schedule and water supply conditions, Water-Short Year Administration began in 2006. Data for the year 2006 was received in 2007. Analysis of that data and data for 2005 shows the 2-year running average of Nebraska's Computed Beneficial Consumptive Use above Guide Rock for 2005-2006 to be 41,430 acre-feet per year in excess of Nebraska's allocations above Guide Rock, contrary to Subsection V.B.2 (a) of the FSS. For the two years, Nebraska's total overuse of water in violation of the FSS amounts to 82,870 acre-feet. See Attachment 1 hereto. For comparison, this amount is more than a city in Kansas of 100,000 population consumes in 10 years. It is also more than twice the amount of water that would be consumed per year under full supply conditions on all the acreage authorized to be irrigated in the Kansas Bostwick Irrigation District in the Republican Basin.

Kansas began to express its concerns in the 1980s that Nebraska was violating the Compact. Despite continued complaints by Kansas and attempts at mediation, Nebraska allowed further significant increases in water development and use by its water users. Consequently, Kansas was forced to file *Kansas v. Nebraska & Colorado*, No.126, Orig., in 1998. After rulings by the Special Master and the Supreme Court, the States agreed to the FSS in December 2002 as noted above. Since then Kansas has complied with all of its obligations under the FSS in good

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faith. The State of Nebraska, on the other hand, has seriously neglected its obligations under the FSS. Actions by the State of Nebraska have been grossly insufficient and unrealistic, resulting in injury to Kansas and its water users. As was the case when David Pope wrote his letter of January 24, 2007, actions apparently being discussed by the State of Nebraska will continue to be insufficient and ignore growing river depletions due to past groundwater pumping.

It is now five years since the FSS was agreed to by Nebraska. But again, the State of Nebraska has failed to meet its obligations to the State of Kansas under the Republican River Compact, and Kansas' water users have continued to suffer as a result. Although there are disagreements between Kansas and Nebraska on certain portions of the final accounting for 2005 and 2006, Nebraska is significantly out of compliance for this first period of Water-Short Year Administration regardless of which State's methodology is used. Further, although the accounting for 2007 is not yet available, it is clear that Nebraska will not be in compliance for the statewide five-year accounting period 2003 through 2007. The cumulative Nebraska overuse for 2003 through 2006 is 143,840 acre-feet. See Attachment 2 hereto. This is the amount that Nebraska needed to make up in 2007 in order to be in compliance for 2003-2007, an unlikely event. In addition, 2007 was also a Water-Short Year Administration year, and it is highly unlikely, as well, that Nebraska will meet the Water-Short Year Administration requirements for that year.

In light of the foregoing, Kansas proposes the remedy set out in Attachment 3 to this letter. The remedy includes: (1) entry of an order by the Supreme Court finding Nebraska in violation of the Court's Decree; (2) Kansas' damages for the years 2005-2006 or Nebraska's gains, whichever are greater, plus compounded interest and attorneys fees and costs, together with any additional relief that may be considered appropriate by the Court; and (3) (a) shutdown of wells and groundwater irrigation in Nebraska within 2 ½ miles of the Republican River and its tributaries, (b) shutdown of groundwater irrigation of acreage added after the year 2000 throughout the Republican River Basin in Nebraska and (c) such further reductions of net consumptive use in the Basin in Nebraska necessary to maintain yearly compliance, or the hydrologic equivalent of the foregoing. In addition, if Nebraska continues to be unable or unwilling to control its water users, further relief, including a Court-appointed River Master, may be necessary.

Supporting Materials

Although the most urgent need is to bring Nebraska into compliance, sanctions for the 2005-2006 violations are also appropriate. Kansas' preference is for repayment in water, but repayment in water by Nebraska appears to be impractical, given the overwhelming deficit that has been accumulated by Nebraska. Therefore, monetary payment is proposed, equal to the gains reaped by Nebraska as a direct result of violating the Court's decree, or Kansas' damages, whichever are greater. This should reduce Nebraska's incentive to violate the Court's Decree in the future.

During recent years, Nebraska's groundwater consumptive beneficial use has been approximately 200,000 acre-feet per year. Even with purchase of surface water and other actions by Nebraska, however, Nebraska has been significantly short of Compact compliance. Kansas' attached analysis demonstrates that Nebraska must reduce its annual groundwater consumptive use (depletions of the surface waters of the Republican River Basin in Nebraska) to 175,000 acre-feet per year, or otherwise achieve the hydrologic equivalent, to dependably meet its 5-year compliance test. See Attachment 4 hereto.

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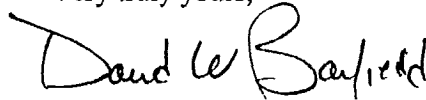
The stipulated RRCA Ground Water Model has been used to determine the extent to which ground water pumping must be curtailed in order to reduce and maintain river depletions caused by groundwater pumping in Nebraska down to 175,000 acre-feet per year. See Attachment 5 hereto. That analysis indicates that a reduction in groundwater irrigated acreage of approximately 515,000 acres is required of 1,201,000 irrigated acres assumed in the future case. As is demonstrated in Figure 4 of Attachment 5, failure to address groundwater depletions in a substantive way will result in continued loss of streamflow. Without this reduction in groundwater pumping, significantly less surface water will be available for existing irrigation projects and/or to assist in achieving Compact compliance. Immediate additional actions by Nebraska are also necessary to achieve near-term compliance. In the long term, further actions will likely be needed, especially in Water-Short Year Administration years.

Designated Schedule for Resolution

Kansas is proposing the foregoing remedies to address the past and continuing violations of the Supreme Court Decree in order that you may consider whether you can agree to these remedies. This situation comes as no surprise to you. Nebraska has been aware that its consumptive use has exceeded allocation every year since 2003. At the 2006 and 2007 Republican River Compact Administration meetings, for instance, Kansas pointed to the increasing likelihood that Nebraska would be out of compliance as soon as the data became available. In addition, by letter of January 24, 2007, Kansas specifically addressed the inadequacy of actions then being proposed in Nebraska as a means of bringing Nebraska into compliance.

Please review this proposal and respond to me within 45 days with regard to whether Nebraska is willing to agree to the proposed remedy. If we do not reach an agreement within that time period, Kansas will submit the dispute to the RRCA. If the dispute is not resolved by the RRCA, we will submit the dispute to the RRCA as a "fast track" issue and will proceed pursuant to the FSS Dispute Resolution procedure according to the schedule set out in Attachment 6 hereto, unless otherwise agreed.

Very truly yours,



David W. Barfield, P.E.
Kansas Chief Engineer
Kansas RRCA Commissioner

cc: (w/encl.) (Via Email & U.S. Mail)
Kansas Attorney General Paul Morrison
Dick Wolfe, Colorado RRCA Commissioner
Aaron M. Thompson, U.S. Bureau of Reclamation
Col. Roger Wilson, Jr., U.S. Army Corps of Engineers
James J. DuBois, U.S. Department of Justice

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Attachments:

Attachment 1 – Nebraska’s Violations of the Final Settlement Stipulation: 2005-2006

Attachment 2 – Nebraska’s Statewide Allocation and Computed Beneficial Consumptive Use: 2003-2006

Attachment 3 – Proposed Remedy for Violations of the Court’s Decree

Attachment 4 – Engineering Report: Requirements for Nebraska’s Compliance with the Republican

Attachment 5 – Report: RRCA Groundwater Model Analysis

Attachment 6 – Designated Schedule for Resolution